

VZCZCXYZ0000
RR RUEHWEB

DE RUEHBO #0421 0321559
ZNR UUUUU ZZH
R 011559Z FEB 08
FM AMEMBASSY BOGOTA
TO RUEHC/SECSTATE WASHDC 1191
INFO RUEHCV/AMEMBASSY CARACAS 9881
RUEHPE/AMEMBASSY LIMA 5867
RUEHZP/AMEMBASSY PANAMA 1156
RUEHQT/AMEMBASSY QUITO 6526

UNCLAS BOGOTA 000421

SIPDIS

SIPDIS

E.O. 12958: N/A

TAGS: [EIND](#) [ETRD](#) [PREL](#) [ELAB](#) [ECON](#) [CO](#)

SUBJECT: VENEZUELAN AUTO QUOTA COULD COST COLOMBIA
THOUSANDS OF JOBS

REF: BOGOTA 169

¶1. (SBU) SUMMARY: Local auto experts estimate Venezuela's new auto import quota may cost Colombia 5,000 jobs in the assembly sector. Colombian parts manufacturers serve to benefit from the quota in anticipated increased sales to Venezuelan assemblers. The GOC met with auto industry officials to discuss ways to help affected workers, including new training programs. Other suggestions include Colombia reducing tariffs on imported auto parts or instituting its own vehicle import quota. END SUMMARY.

Cost Could Reach 5,000 Jobs

¶2. (U) Venezuela's recently imposed vehicle import quota will hurt Colombian auto assemblers (reftel). Colombian auto industry experts calculate that Colombian car makers will lay off 800 to 1,000 assembly line workers in addition to job losses in related fields. Tulio Zuluaga, head of the Colombian Auto Manufacturing Association, estimated that the quota could ultimately lead to 5,000 lost jobs, and noted that the industry needed a new strategy to increase exports to other Latin American countries.

Possible Boost for Parts Industry

¶3. (SBU) On the other hand, Nayib Neme, owner of the largest auto parts manufacturing company in Colombia, does not anticipate laying-off any of the 4,000 workers he employs. Neme said that since the quota applies to all countries that export cars to Venezuela, the increased demand from Venezuelan car makers for auto parts will outweigh the reduced Colombian demand. Neme, who already supplies parts to Venezuela, said he may soon need to hire more workers. Neme noted that smaller Colombian auto parts companies may have trouble operating in the Venezuelan market due to increased delays in receiving payment from Venezuelan importers; whereas they used to pay invoices in 30 days, delays now reach 90 days and may soon extend to 120 days.

Colombia Considers Strategies to Reduce Quota's Impact

¶4. (U) GOC and auto industry officials met to discuss ways to help affected auto workers. President Uribe announced support for assistance to workers as well as efforts to expand export markets for the industry, stating that the choices were either "to cry (about the quotas) or work to move forward." Although the GOC does not have a concrete plan in place yet, the Ministry of Social Protection, National Training Center and Bank of Opportunities are

looking at programs to train laid-off workers in new areas.

15. (SBU) Conservative Party Senator Omar Yepez suggested reducing tariffs on imported auto parts in order to stimulate demand for cars by reducing their cost. However, Yepez's proposal would do little to stem the loss of jobs in the auto part manufacturing industry, and could even exacerbate it. Neme called the proposal "absurd" and counter-productive. Guillermo Ochoa, President of the autoworkers union, proposed raising tariffs rather than lowering them. Ochoa said Colombia should institute its own vehicle import quota to boost demand for domestically produced cars and avoid more job cuts.
Brownfield